Tax Fraud Alert

Money Laundering

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Overview

Text Only .htm

What is Money Laundering?

The term "money laundering" refers to the activities and financial transactions that are undertaken specifically to hide the true source of the income. In most cases, the money involved is earned from an illegal enterprise and the goal is to give that money the appearance of coming from a legitimate source.

Why is IRS Involved in Money Laundering Investigations?

One look at the daily news is proof that the crimes dealing with or motivated by money make up the majority of criminal activity in the nation. Tax evasion, public corruption, health care fraud, money laundering and drug trafficking are all examples of the types of crimes that revolve around money. In these cases, a financial investigation often becomes the key to a conviction. For this reason, IRS is one of the key agencies involved in money laundering investigations.

Money laundering is a very complex crime involving intricate details, often involving numerous financial transactions and financial outlets throughout the world. Criminal Investigation has the financial investigators and expertise that is critical to "follow the money trail."

Criminal Investigation focuses on money laundering where the underlying conduct is a violation of the income tax laws. According to the IRS, money laundering is the means by which criminals evade paying taxes on illegal income by concealing the source and the amount of profit. Money laundering is in effect tax evasion in progress.

When no other crimes could be pinned to Al Capone, the Internal Revenue Service obtained a conviction for tax evasion. As the astonished Capone left the courthouse he said, "This is preposterous. You can't tax illegal income!" But the fact is income from whatever source derived (legal or illegal) is taxable income.

Had the money laundering statutes been on the books in the 1930's, Capone would also have been charged with money laundering. However, since October 1986, with the passage of the Money Laundering Control Act, organized crime members and many others have been charged and convicted of both tax evasion and money laundering.

When a criminal has a large amount of illegal income, they have to do something with it in order to hide it from the IRS. They attempt to launder it to make it appear as if it was from a legitimate source, allowing them to spend it or invest it in assets without having to worry about the IRS and tax consequences.

One of the ways to launder illegal proceeds is to move the money out of the United States and then bring it back in a clean form, often disguised as loan proceeds. Another method is to channel or co-mingle the money through various business activities to give the appearance that the money was derived from a legal source.

Why a Financial Investigation?

Financial investigations are by their nature very document intensive. They involve records, such as bank account information or real estate files, which point to the movement of money. Any record that pertains to or shows the sequence of events involving money movement is important. The major goal in a financial investigation is to identify and document the movement of money during the course of a crime. The link between where the money comes from, who gets it, when it is received and where it is stored or deposited, can provide proof of criminal activity.

IRS investigations of illegal income cases involving money laundering are critical components of the nations National Money Laundering Strategy. The long hours of tracking and documenting financial leads allows an investigation to go right to the door of the money launderers and eventually to the leader of the illegal enterprise. A complete financial analysis and reconstruction of the illegal activity (i.e. a drug organization or an abusive trust scheme) will document the financial activities related to unreported income on tax returns and money laundering which is usually key to securing a conviction.

Money laundering creates an underground, untaxed economy that harms our country’s overall economic strength. It is a global threat that erodes our financial systems.

History

Criminal Investigation was established in 1919 and commenced its first narcotics investigation of an opium trafficker in Hawaii in the early 1920's, bringing the only charge we could; tax evasion. At that time, millions of dollars were being laundered through financial institutions, going untaxed and being used to purchase assets. There was no paper trail at the financial institution other than bank account records, if the money was deposited. There was no requirement for banks to report the large amounts of currency transactions.

In 1970, Congress passed the Bank Secrecy Act (BSA). With the enactment of the BSA came the introduction of the Currency Transaction Report (CTR, Form 4789), Report of International Transportation of Currency or Monetary Instruments (CMIR, Form 4790) and Report of Foreign Bank and Financial Accounts (FBAR, Form TD F 90-22.1).

The BSA created the paper trail needed by law enforcement to track untaxed dollars and the millions of dollars being laundered through U.S. banks. IRS has been able to follow this paper trail to disrupt and dismantle, through investigation, prosecution and forfeiture of assets, the country's major drug and money laundering organizations.

Today's IRS

While tax fraud and tax evasion are IRS Criminal Investigation's number one enforcement priority, currency reporting and money laundering enforcement are emphasis areas as well.

Currency Reporting

The Currency Transaction Report (CTR) came into existence with the passage of the Currency and Foreign Transactions Reporting Act, better known as the Bank Secrecy Act (BSA), in 1970. By 1975 only 3,418 CTRs had been filed in the United States.

When the first version of the CTR was introduced the only way a suspicious transaction of less than $10,000 was reported to the government was if a bank teller called an agent and provided the information. This was due, primarily, to the concern by financial institutions about the Right to Financial Privacy. On October 26, 1986, with the passage of the Money Laundering Control Act, the Right to Financial Privacy was no longer an issue. As part of the Act, Congress had stated that a financial institution could not be held liable for releasing suspicious transaction information to law enforcement. As a result, the next version of the CTR had a suspicious transaction check box at the top. This was in effect until April 1996 when the Suspicious Activity Report (SAR) was introduced.

Currency reporting has changed since its introduction in 1970. There are now several different requirements for several different types of financial institutions as well as non-financial institutions.

The various currency forms, their reporting requirements, and the number filed in calendar year 2003 are shown in this chart:

Report	Requirements	Filed in CY 2003
Currency Transaction Report (CTR)	Filed by financial institutions that engage in a currency transaction in excess of $10,000	12,506,035
Currency Transaction Report Casino (CTRC) (Includes both Form 8362 & Form 8852)	Filed by a casino to report currency transactions in excess of $10,000.	451,457
Report of Foreign Bank and Financial Accounts (FBAR)	Filed by individuals to report a financial interest in or signatory authority over one or more accounts in foreign countries, if the aggregate value of these accounts exceeds $10,000 at any time during the calendar year.	202,030
IRS Form 8300, Report of Cash Payments Over $10,000 Received in a Trade or Business	Filed by persons engaged in a trade or business who, in the course of that trade or business, receives more than $10,000 in cash in one transaction or two or more related transactions within a twelve month period.	129,816
Suspicious Activity Report (SAR)	Filed on transactions or attempted transactions involving at least $5,000 that the financial institution knows, suspects, or has reason to suspect the money was derived from illegal activities. Also filed when transactions are part of a plan to violate federal laws and financial reporting requirements (structuring)	285,814
Suspicious Activity Report Casino (SARC)	Filed on transactions or attempted transactions if it is conducted or attempted by, at, or through a casino, and involves or aggregates at least $5,000 in funds or other assets, and the casino/card club knows, suspects, or has reason to suspect that the transactions or pattern of transactions involves funds derived from illegal activities. Also filed when transactions are part of a plan to violate federal laws and transaction reporting requirements (structuring).	5,016
Registration of Money Services Business (RMSB)	Each money services business(MSB), except one that is a money services business solely because it serves as an agent of another MSB, must register.	14,226
Suspicious Activity Report by Money Services Businesses (MSB) (SARM)	Filed on transactions or attempted transactions if it is conducted or attempted by, at, or through a MSB, involving or aggregating funds or other assets of at least $2,000 in funds or other assets, and the MSB knows, suspects, or has reason to	200,919

	suspect that the transactions or pattern of transactions involves funds derived from illegal activities. Also filed when transactions are part of a plan to violate federal laws and transaction reporting requirements (structuring) or when the transaction has no business or apparent lawful purpose and the MSB know of no reasonable explanation for the transaction after examining the available facts. When transactions are identified from a review of records of money orders or travelers checks that have been sold or processed, an issuer of money orders of traveler's checks shall be required to report a transaction or a pattern of transactions that involves or aggregates funds or other assets of at least $5000.	
Suspicious Activity Report by the Securities & Futures Industries	Filed on transactions, or attempted transactions, if it is conducted by, at, or through a broker-dealer, it involves aggregates funds or other assets of at least $5,000, and the broker-dealer knows, suspects, or has reason to suspect that the transaction involves funds derived from illegal activities or is intended or conducted in order to hide or disguise funds or assets derived from illegal activity. Also filed when transactions are designed, whether through structuring or other means, to evade filing requirements. Also filed when transaction has no business or apparent lawful purpose or is not the sort in which the particular customer would normally be expected to engage, and the broker-dealer knows of no reasonable explanation for the transaction after examining the available facts. Also filed when the transaction involves the use of the broker-dealer to facilitate criminal activity	4,267
Designation of Exempt Person	Used by bank or other depository institution to designate an eligible customer as an exempt person from currency transaction reporting rules.	63,101

Other industries are required to file Suspicious Activity Reports as well. The US Department of Treasury's Financial Crimes Enforcement Network can provide additional information on this topic.

For information relating to Bank Secrecy Act-related documents, FinCEN has updated the Magnetic Media Filing Specifications "ZIP Code Validation List" for the Mag Specs for the four SAR forms, the CTR and CTR-C. The updated files are available on the FinCEN Regulatory BSA Forms and Filing Information website.

Federal Statutes

Internal Revenue Code

IRS has sole investigative jurisdiction for criminal violations of the Internal Revenue Code (IRC), Title 26 of the United States Code. The IRC, Section 61(a) defines gross income as ". . . all income from whatever source derived." This has been held by the courts to include income earned from illegal activities such as drug trafficking, embezzlement, extortion, healthcare fraud, bankruptcy fraud and numerous other crimes. The primary criminal statutes include evasion of income tax, false income tax returns, and failure to file tax returns, among others.

Additionally, IRC, Section 6050 I, requires anyone involved in a trade or business, except financial institutions, to report currency received for goods or services in excess of $10,000 on a Form 8300. This requirement has created a significant impediment to the use of illicit profits by narcotics traffickers and others engaged in illegal activity for the purchase of luxury items such as vehicles, jewelry and boats. Financial institutions report similar information on a Currency Transaction Report.

Federal Statutes and Acts Passed by Congress

Title 31, USC Section 5331 – was passed in 2001 as a result of the USA Patriot Act and duplicates the reporting provisions of IRC, Section 6050I (Form 8300). Dual reporting of this information will now be made to both the IRS and the Treasury Department's Financial Crimes Enforcement Network (FinCEN).

Title 31 USC Section 5332 –Also as a result of the USA Patriot Act was the passage of Title 31 USC 5332, Bulk Cash Statute. Criminal Investigation has jurisdiction to investigate violations of this statute. This affects anyone who transports or attempts to transport currency or other monetary instruments of more than $10,000, from a place within the United States to a place outside of the United States, or from a place outside the United States to a place within the United States, and knowingly conceals it with the intent to evade the reporting requirements of 31 USC 5316.

Title 18 USC Section 1960 – IRS has the jurisdiction to investigate violations under Title 18 USC 1960 which requires Money Service Businesses to be registered with the Federal Government.

Bank Secrecy Act – The Currency and Foreign Transactions Reporting Act, Public Law No. 91-508, Title II, along with financial institution record-keeping requirements, became known as the Bank Secrecy Act (BSA). The BSA mandates the reporting of certain currency transactions conducted with a financial institution, (Form 4789), the disclosure of foreign bank accounts (TD F 90-22.1), and the reporting of the transportation of currency exceeding $10,000 across United States borders (Form 4790).

Money Laundering Control Act of 1986 – Criminal Investigation investigates and recommends criminal prosecution for violations of Title 18, USC, Sections 1956 and 1957. These statutes make it illegal to conduct certain financial transactions with proceeds generated through specified unlawful activities, such as narcotics trafficking, Medicare fraud and embezzlement, among others.

Asset Forfeiture – The asset forfeiture program is one of the federal government's most effective tools against drug trafficking, money laundering, and organized crime. In conjunction with other federal, state, and local law enforcement agencies, Criminal Investigation uses asset forfeiture statutes to dismantle criminal enterprises by seizing and forfeiting their assets. Most of Criminal Investigation's seizures and forfeitures are the result of Title 18 and Title 31 money laundering and currency investigations.

National Strategies and Initiatives

In the May 2004 edition of the IRS Congressional Update Newsletter , IRS published an article relating to the IRS initiative and our money laundering efforts.

In July 2002, the U.S. Departments of Treasury and Justice released the Money Laundering Strategy for 2002 . This strategy reflects a national commitment to a coordinated, effective fight against money laundering and other financial crimes. The primary goals of the strategy are:

1. Measure the effectiveness of the Anti-Money Laundering efforts
2. Focus law enforcement and regulatory resources on identifying, disrupting and dismantling terrorists financing networks
3. Increase the investigation and prosecution of major money laundering organizations and systems

4. Prevent money laundering through cooperative public-private efforts and necessary regulatory measures
5. Coordinate law enforcement efforts with state and local governments to fight money laundering throughout the United States
6. Strengthen International money laundering regimes

Criminal Investigation supports this strategy through the investigation and prosecution of domestic and international narcotics traffickers and related money laundering organizations.

Statistical Data

How to Interpret Criminal Investigation Data

Since actions on a specific investigation may cross fiscal years, the data shown in cases initiated may not always represent the same universe of cases shown in other actions within the same fiscal year.

	FY 2004	FY 2003	FY 2002
Investigations Initiated	1789	1590	1448
Pros. Recommendations	1515	1141	1061
Indictments/Informations	1304	1041	943
Sentenced*	687	667	861
Incarceration Rate	89.1%	89.2%	89.5%
Average months to Serve	63	66	70

*Incarceration may include prison time, home confinement, electronic monitoring, or a combination thereof.

Examples of Money Laundering Investigations

The following examples of money laundering fraud investigations are excerpts from public record documents on file in the court records in the judicial district in which the cases were prosecuted. Criminal Investigation special agents participated in these multi-agency money laundering investigations by conducting the complete financial investigative aspects of the case.

Columbia Woman Sentenced for Embezzling $583,173

On September 27, 2004, in Nashville, TN, Julie Ellen Bauer was sentenced to 51 months in prison, followed by five years supervised release and ordered to pay $391,926 in restitution. On March 9, 2004, Bauer pled guilty to one count of money laundering and two counts of bank fraud. Between October 9, 1998 and April 12, 2000, Bauer embezzled approximately $583,173 from bank accounts belonging to Saturn Corporation and EDS and transferred the funds to bank accounts she fraudulently opened and controlled under false pretenses and representations. During the period December 17, 1998 and June 23, 2000, Bauer conducted several monetary transactions, in excess of $10,000, with embezzled funds which affected interstate commerce. These transactions included purchasing a home for $324,776.34, lavish furniture for the home and two Chevrolet Suburbans.

Former City Housing Official Sentenced to 5 Years in Prison

On Monday, September 27, in Oakland, California former City of Hercules Senior Housing Specialist Darrick Jonathan Chavis was sentenced to five years in prison and ordered to repay $390,494 that he and LaMark Kevin Lassiter stole from the city during 2001 and 2002. Chavis earlier pled guilty to mail fraud and filing a false tax return. Lassiter pled guilty to mail fraud and structuring monetary transactions and was sentenced earlier this month to serve two and one-half years in prison. Lassiter was also ordered to repay the same amount to the city. Chavis and Lassiter admitted that Chavis, as the city housing specialist overseeing the city fund known as the Rehabilitation and Beautification Program, created phony applications for funds that were intended to allow qualified city residents to repair their homes. The phony applications for funds used the names of actual Hercules residents without their permission. Chavis approved the funds and then mailed or hand-delivered checks to Lassiter, who posed as a licensed contractor. Lassiter paid another person to create invoices for repair work done on Hercules homes when, in fact, no work had been done. Chavis and Lassiter then shared the stolen funds. This was a joint investigation with the FBI.

John Kenneth Coil Sentenced to Federal prison in Multi-Million Dollar Racketeering, Obscenity, Fraud, and Tax Evasion Scheme

On September 17, 2004, in Austin, TX, John Kenneth Coil was sentenced to 63 months in prison, followed by three years supervised release, fined $5,000, and ordered to forfeit an estimated $8.1 million in property to the government after pleading guilty to federal charges in connection with a racketeering, obscenity, fraud, and tax evasion scheme. Coil admitted to using front companies to run his "adult" pornography stores as well as putting some properties into the names of some of his children and in "trusts" for his children without their knowledge. Coil also skimmed monies from the stores and failed to file tax returns or disclose such income for tax purposes on returns he did file. The total loss as a result of his scheme exceeded $4.5 million for the tax years 1981-2003. Seven other co-defendants have also been sentenced on tax related charges receiving sentencing ranging from three years probation to 42 months in prison.

Maximum Prison Term for Fraud

On September 14, 2004, in Sacramento, CA, Sharon Macauley was sentenced to 30 months in prison and ordered to pay restitution of $1,040,768 to victims of her fraud scheme. Macauley pleaded guilty to one count of money laundering and one count of mail fraud on January 27, 2004, for falsely telling potential investors that she would use their funds to purchase expensive horses for which buyers had already been found. Almost none of the money Mccauley received from investors was actually used for this purpose, and most of the money any investor did receive in return for their investment, came from monies from new investors.

Former Business Consultant Sentenced to 37 Months in Money Laundering Conspiracy

On September 14, 2004, in Washington, DC, Morton Okin, former business consultant for CRM Communications, was sentenced to 37 months in prison to be followed by 5 years supervised release. Okin was also ordered to pay $11,096,210 in restitution. CRM Communications was a New York corporation in the business of providing telecommunications equipment and services. In April 1997, CRM obtained a line of credit from Capital Factors, Inc. which was secured by CRM's accounts receivable reports. The reports were used to determine the amount of funds to advance CRM. According to court documents, in or about February 1998, Okin joined a conspiracy with several other individuals to defraud Capital Factors and launder monies through bank accounts within the District of Columbia and surrounding areas. Okin and his co-conspirators created false invoices, set up sham corporations, and altered CRM's monthly bank statements to make it appear that CRM's business and accounts receivables were increasing. The false financial information were transmitted to Capital Factors to support the advance of funds. As a result of the scheme, Union Planters, which purchased Capital Factors, incurred a loss of approximately $13 million.

In addition to Okin, Calvin C. McCants, the organizer of the conspiracy, was entenced to 9 years in prison in June 2004. A third co-conspiractor, Howard Weinstein, was sentenced in August 2004 to 5 years probation. Both McCants and Weinstein were ordered to pay restitution for their part in the $13 million money laundering conspiracy.

Administrator of Internet Pharmacy Scheme Sentenced

On September 10, 2004, in San Diego, CA, Odette Pidermann, administrator of World Express Rx, an on-line pharmacy, was sentenced to 18 months in prison and ordered to pay a fine of $4,000 and ordered to forfeit $55,000 from four bank accounts. In addition, Pidermann was ordered to cooperate with the IRS in paying back taxes. Pidermann had previously pleaded guilty to conspiring to sell counterfeit pharmaceuticals, mail fraud, and smuggling pharmaceuticals. World Express Rx had a website by which customers could order prescription drugs without having a prior prescription. Over the life of World Express Rx, the scheme grossed just under $7 million. Piddermann did not take a regular salary; however, funds were simply transferred to her bank accounts as needed to pay personal expenses.

Springfield Woman Sentenced to Federal Prison

On September 8, 2004, in Springfield, MA, Paulette Martin, was sentenced to 1 year and 4 months imprisonment to be followed by 3 years of supervised release and ordered to pay $1.2 million in restitution to the victims of her fraud. Martin was convicted by a trial jury of one count of conspiracy and thirty counts of wire fraud on May 26, 2004. Evidence presented during the four-day trial proved that Martin, a Pentecostal pastor, conspired with her roommate, Renee Smith, to defraud multiple victims by making false representations and fraudulent promises to convince them to wire money to her through Western Union. Eight victims recounted that Martin told them the money was to help a wealthy individual from Trinidad who needed funds in order to gain access to his vast wealth. The victims were promised a handsome return on their investments. The evidence presented at trial showed that the stories and promises were false. The scheme ended in March 2003, when Martin and Smith were arrested. Smith pleaded guilty to similar charges and is scheduled to be sentenced on October 8, 2004.

North Carolina Man Sentenced in Real Estate Scheme

On September 2, 2004, in Greensboro, NC, George Monk was sentenced to 87 months in prison, followed by three years supervised release, fined $200, and ordered to pay $224,368 in restitution after pleading guilty to numerous tax and fraud charges. Monk and others devised a scheme to utilize various mortgage brokers to submit materially false information to mortgage lenders to obtain mortgage loans. Monk recruited individuals to act as purchasers or “straw-buyers,” he then deceived them into believing that following the purchase of the real estate in their names, that he would pay all monthly mortgage payments and promptly transfer the parcels of real property out of the straw-buyers’ name. Monk failed to pay the monthly mortgage payments allowing the property to go into default and causing the sale of the property at foreclosure.

Defendant Sentenced to 77-Months Prison Term for Bank Fraud and Money Laundering

On August 31, 2004, in Miami, FL, David Forbes, Jr. was sentenced to 77 months in prison, followed by 5 years supervised release, and ordered to pay restitution of $292,068, for Forbes’ involvement in a bank fraud and money laundering scheme. From July 1998 until March 2000, Forbes conspired to enrich himself unlawfully by depositing stolen, forged, and counterfeited checks into bank accounts and then arranging for the withdrawal of monies against those checks. Forbes also concealed the unlawful proceeds by moving them through various individual and corporate bank accounts that he and his unnamed co-conspirators controlled.

Accountant Sentenced to 37-Month Prison Term for Mail Fraud and Tax Evasion

On August 23, 2004, in Miami, FL, Thomas Sewell, a certified public accountant, was sentenced to 37 months’ in prison, followed by three years supervised release, and was ordered to pay restitution in excess of $7 million to the victims. Sewell previously plead guilty conspiracy to commit mail fraud, and for filing false tax returns. Sewell was charged in connection with his participation in an investment fraud scheme, as a result of which investors lost over $7 million. Sewell associated himself with the scheme by recruiting investors from among his accounting practice clientele. Sewell falsely advised his clients that their investments would be safe and that he was personally monitoring the funds. Significantly, Sewell failed to advise his clients that he was receiving commissions on the investments that he brought in and failed to disclose on his 1997 and 1998 federal income tax returns that he had received additional income of more than $140,000 from his participation in the scheme.

Florida Man Sentenced for Concealing $660,000 in Income from Bankruptcy Court

On August 20, 2004, in Denver, CO, Richard Shelby Palmer was sentenced to 24 months in prison for concealing assets in connection with bankruptcy and for money laundering. Palmer agreed to the criminal forfeiture of $49,200, of which $39,197 will be used to pay restitution to creditors. Palmer was also ordered to pay a fine of $6,000. Palmer was one of the founders of a company known as Native American Sales, Native American Company or Companies, and then Native American Systems, Inc. whose primary business involved the sale of computer equipment to the United States Government. On July 25, 1995 Palmer filed a Chapter 13 bankruptcy petition. As part of the defendant's criminal scheme, he directed the accounting department of Native American Systems, Inc. to pay the vast majority of his sales commissions to one of three companies run by him instead of to him directly. Palmer used the commission money deposited into these businesses' accounts for his own benefit, and failed to disclose the vast majority of the money to the bankruptcy court. Palmer concealed over $660,000 in income from the bankruptcy court. According to the plea agreement Palmer concealed some of the money by purchasing a 1997 Chevy Tahoe and a 1993 Mercedes Benz in the name of one of his corporations. He also used $44,988 from another corporation's bank account to make a down payment on a residence, which he titled in the name of his father.

Individual Sentenced in Connection With Scheme to Defraud Investors

On August 11, 2004, in Savannah, GA, Mark Bowlin was sentenced to 32 months in prison, followed by three years supervised release, and ordered to make full restitution to victims in the amount of $2,720,421. Bowlin had previously entered a guilty plea to conspiracy to commit mail and wire fraud and money laundering. Between January 1998 and February 2000 Bowlin and others devised a scheme to obtain investors in Universal Interiors, a corporation through which Bowlin conducted a drywall installation business. Potential investors were told by Bowlin and others that they would receive up to a 40% return on investments over short periods of time. To persuade potential investors to invest in Universal Interiors, Bowlin and others made false representations concerning Universal Interiors, including falsely representing that Universal Interiors had millions of dollars worth of projects on hold until it obtained additional startup capital from investors and falsely stating that investments in Universal Interiors were used strictly to purchase materials and to pay labor with regard to a new project. In fact, the investors own funds were used to pay interest payments back to the investors to create an illusion of profitability. Investor funds were also used for Bowlin's and others' own use and enjoyment, including the purchase of homes, a boat, cars and other expenses.

PinnFund Figure Gets Prison Term, Told to Repay Investors

On August 2, 2004, in San Diego, CA, two defendants associated with the $300 million PinnFund U.S.A. ponzi scheme were sentenced for their participation. Tommy Larsen, former president of PinnLease, Inc., a PinnFund subsidiary, was sentenced to serve 78 months in prison followed by three years supervised release and ordered to pay $6,689,908 in restitution. Larsen's sentenced followed his guilty plea to mail fraud, wire fraud, money laundering, obstruction of justice, and tax evasion. Also sentenced was Kim A. Larsen, the son of defendant Tommy Larsen. Kim Larsen was sentenced to 21 months in prison, followed by two years supervised release and fined $5,000 for his role in the fraudulent equipment lease scheme. Kim Larsen's sentencing was based on his guilty plea to one count of making a false statement to a federal officer.

Woman Sentenced in Money Laundering and Drug Case

On July 16, 2004, in Milwaukee, WI, Sandra Garza was sentenced to 180 months in federal prison, followed by five years of supervised release. Garza pleaded guilty to charges of conspiracy to distribute cocaine and money laundering. According to the plea agreement, Garza, her fiancé Maurice Shelly, and her sister Nancy Garza were involved in a cocaine trafficking conspiracy from 2000 through 2003 that included distribution in Milwaukee and Chicago. During this time, Sandra Garza purchased residential properties in and around Chicago with an aggregate price of approximately $2 million. The down payments, mortgages, and rehabilitation costs for these properties were paid with proceeds from Garza's cocaine sales. Garza placed several of the properties in the names of other individuals to conceal her ownership, and assisted these individuals in filing false loan applications. Garza agreed to forfeit her interest in these properties and over $400,000 in seized currency, bank accounts, vehicles, and jewelry. Nancy Garza was previously sentenced to 90 months incarceration and Maurice Shelly 196 months.

Defendant Sentenced to 60 Months in Prison

On July 12, 2004, in Denver, CO, Golda Torres-Harvey was sentenced to 60 months in prison and ordered to pay $580,437 restitution to victims of her scheme. According to the indictment, Torres-Harvey devised a scheme to defraud citizens from Mexico who were residing in Colorado, by inducing them through false representation to pay her for assisting them in preparing and submitting applications to the Immigration and Naturalization Service. She charged Mexican immigrants a fee ranging from $1,500 to $2,500 to assist them in filling out INS applications. Also, she instructed the immigrants to obtain money orders payable to "INS" to cover her fees. Torres-Harvey purposefully delayed the filing of applications and mailed the applications without the required fee of $70 or $1,000; she kept the application assistance fees for herself. She opened a bank account in the name of "International Network Service" and had approximately 61 money orders payable to "INS" deposited into that account. Torres-Harvey then closed her business and did nothing to assist her remaining clients and the INS rejected the applications that were mailed with no accompanying fee.

Leader of Multi-Million Dollar Mortgage Fraud Scheme is Sentenced to 64 Months in Prison; Ordered to Pay $2.4 Million in Restitution

On July 8, 2004, St. Louis, MO, Tandy Hairston was sentenced to 64 months in prison and ordered to pay restitution of $2,424,857. According to the facts filed with the court, Hairston owned and operated The Loan Store (TLS) from 1998 to November 2001. TLS operated as a mortgage brokerage service and as a mortgage bank. To operate as a mortgage banker, Hairston applied for and received warehouse lines of credit from several banks. To serve as guarantor on the warehouse lines of credit, he had to show credit-worthiness by submitting accurate personal financial profiles, including personal tax returns. Hairston began to send false financial information to the warehouse line of credit holders to induce them to renew or continue the lines of credit. The false information included false tax returns that had never been filed with the IRS.

Owner of Tulsa Chemical Company Sentenced to Nine Years in Prison

On July 8, 2004, in Tulsa, OK, Steven John Worley was sentenced to 108 months in federal prison, followed by three years of supervised release. Worley pleaded guilty to one count of money laundering conspiracy and one count of conspiracy to possession of list chemicals with intent to distribute. According to the plea agreement, beginning around May 2000, and continuing until May 28, 2003, Worley, a 49% owner in a company known as Allied Chemical Supply, Inc. (ACS), possessed and distributed listed chemicals knowing, intending, or having a reasonable cause to believe that the chemicals would be used to manufacture methamphetamine. Additionally, Worley deposited the proceeds, or directed the proceeds to be deposited into bank accounts under the name ACS from the illegal sales of listed chemicals. Worley also purchased iodine crystals, a substance used in the clandestine manufacture of methamphetamine, with proceeds from prior illegal sales of listed chemicals. According to the information charging Worley, the El Paso Intelligence Center of the Drug Enforcement Administration determined that ACS was statistically the largest known supplier of precursor chemicals used to manufacture methamphetamine in the United States.

Znetix Defendant Sentenced To Four Years In Prison

On July 6, 2004, in Seattle, WA, Kevin McCarthy was sentenced to four years in prison, to be followed by three years of supervised release with restrictive financial and employment conditions. McCarthy pleaded guilty in July, 2002, to Conspiracy and Mail Fraud and was a key prosecution witness against other Znetix defendants, which resulted in the convictions of those three defendants. As part of his guilty pleas and sentencing, McCarthy also forfeited a residence he had purchased in Bothell, Washington, a home in Arizona, a $5,000 home entertainment center, and the proceeds of bank accounts in Nevis and Nevada.

McCarthy began his employment with Health Maintenance Centers, Inc. (HMC), an affiliate of Znetix, in September, 2000. On April 9, 2001, the State of Washington Department of Financial Institutions, Securities Division, issued a Cease and Desist Order against HMC and Kevin L. Lawrence prohibiting further stock sales. About three weeks after the Cease and Desist Order, Lawrence and McCarthy formed Cascade Pointe LLC, which was touted as an independent venture capital firm but was secretly controlled by Lawrence and McCarthy in violation of the State's order. At Lawrence's direction, McCarthy created a number of shell companies and bank accounts in the Carribean island nation of Nevis for himself and other co-defendants. McCarthy used these Nevis companies to funnel money offshore and, by submitting fraudulent stock subscription agreements and financial statements from the Nevis companies, to make it appear that Cascade Pointe had wealthy backers and substantial lines of credit. Cascade Pointe fraudulently raised over $12 million from investors after the State's order.

The charges against McCarthy arose out of the government's investigation of the offer and sale of over $90 million of securities by Znetix, HMC, Cascade Pointe, and other affiliated entities. The conspiracy's ringleader was Lawrence, who entered guilty pleas in July, 2003, to Securities Fraud, Wire Fraud, and Conspiracy, and is currently serving a 20-year prison term. Over the course of about seven years, Lawrence and his co-defendants, including Beaman, Culp, Kuiken, and five additional defendants who previously entered guilty pleas – Donavon Claflin, Clifford Baird, Steven Reimer, James Wuensche, and Alfonso D. Lacson, Jr. – defrauded thousands of investors out of approximately $91 million through a massive conspiracy involving false representations and failures to disclose truthful and accurate information in connection with the sale of the securities. Two additional defendants, Timothy Moody and Alex Lacson, pleaded guilty to related felony charges.

Ava Man Sentenced for Obstructing the IRS

On July 1, 2004, in Springfield, MO, Roy Eugene Waters was sentenced to eight years and one month in federal prison without parole. The court also ordered Waters to pay a $15,000 fine and to cooperate with the IRS in the payment of all tax liabilities owed. Waters was convicted of obstructing the Internal Revenue Service in the collection of federal taxes owed to the government and for structuring currency transactions. Beginning in 1995, Waters, who did business as Ava Greenhouses, conducted significant greenhouse business with cash and cashier's checks. Waters was found guilty of using threats of force to obstruct the administration of the internal revenue laws of the United States, including the determination, assessment and collection of Waters' federal income tax liabilities for 1991, 1992 and 1993. Waters threatened to defend his property with guns against seizure by the IRS, and threatened to commit suicide. In an effort to intimidate and interfere with the IRS collection process, Waters also filed a series of frivolous lawsuits against the IRS. He placed notices in local newspapers threatening to sue anyone who bid on property seized by the IRS, claiming that intruders may be prosecuted, or the sale was unlawful. Waters was also found guilty of eight separate counts of structuring currency transactions at several local financial institutions for the purpose of evading the federal reporting requirement. Graves explained that federal law requires financial institutions to report any currency transactions in excess of $10,000. Waters conducted 35 financial transactions from June 23, 1998, through Oct. 11, 2000, for the purpose of evading the federal reporting requirement.

Former Lubbock Antiques Dealer Sentenced to More Than 8 Years in Federal Prison

On June 25, 2004, in Lubbock, TX, Barry Keith Holbert was sentenced to 97 months imprisonment and ordered to pay $2,200,356.65 in restitution to the victims of his crime. Holbert pled guilty in March 2004 to a two-count Information that charged him with one count of wire fraud and one count of money laundering. At the time of his plea, Holbert acknowledged that the loss involved in this case was between $1 million and $2.5 million and that there are between 10 and 50 victims of his fraud. Holbert is the owner of A Part of History Antiques, Inc. and according to documents filed in court created counterfeit bills of sale and fraudulent provenance (history of an artwork's ownership) to misled investors in believing that they were investing money in authentic paintings. In 1999, Holbert received approximately $605,000 from several investors who invested in a Sham Van Gogh. Holbert also received from investors tens of thousands of dollars to invest in the ownership of paintings which Holbert subsequently sold at a much higher price, without that investor's knowledge, authorization or consent, and did not provide the investor with any of the proceeds from that sale.

Chicago Businessman Convicted on All Counts in Insurance Fraud Trial

On June 22, 2004, in Chicago, IL, Michael "Mickey" Segal, owner of Near North Insurance Brokerage, was convicted on all 26 counts against him. The conviction came after only 8 hours of deliberation following a six week trial. Segal was convicted of 13 counts of mail fraud, one of wire fraud, seven of making false statements, three of embezzlement, one of tax conspiracy and one of racketeering. Segal was found guilty of looting $35 million from a Near North Insurance restricted account where customer premiums were supposed to be held for safekeeping. The business was also convicted of 11 counts of mail fraud, seven of making false statements and three of embezzlement. Segal was ordered to forfeit $30 million dollars and 60% of his business, Near North Insurance Brokerage. The Judge remanded Segal to prison immediately following the forfeiture hearing stating that he was a flight risk. No Sentencing date has been set.

Interstate RV President and Vice President Sentenced for Money Laundering and Bank Fraud

On June 18, 2004, in Austin, TX, Jim Rich, president of Interstate RV Center Inc. (IRV), was sentenced to 60 months incarceration; 36 months supervised release, and ordered to pay $5,015,500 restitution and a $700 special assessment fee. Rich was found guilty by jury on March 29, 2004, of four counts of money laundering, money laundering conspiracy, conspiracy to commit bank fraud and aiding and abetting bank fraud. Also sentenced was Jeremy Baker, Vice President and General Manager of IRV. Baker received 24 months in prison; 36 months supervised release, and ordered to pay $5,015,500 restitution and $200 special assessment fee. Baker pleaded guilty on October 6, 2003, to conspiracy to commit bank fraud and money laundering.

During 1997 and 1998, IRV borrowed millions of dollars from Pacific Southwest Bank (PSB). To ensure continued credit, IRV submitted to PSB, fraudulent financial statements of profit and loss, indicating IRV was in good financial standing. Additionally, during regular floor plan inspections conducted by an independent contractor working for PSB, IRV would “assist” by misrepresenting previously sold RV’s as still being present and owned by IRV. To further the fraud, IRV customers were instructed to bring in their RV’s for maintenance at the time of these inventories to falsely indicate presence of additional “unsold” RV’s on IRV lots. More than once IRV requested funding from PSB for RV’s previously sold and actually collected double payments, one from the customer and one from the PSB “floor plan” loan. In late October 1998, after IRV defaulted on PSB loans for RV’s previously sold, PSB sent an employee to personally conduct an inventory audit. The audit revealed that approximately 100 out of 154 RV’s with a total loan value greater than $4,000,000 were missing. These were RV’s for which PSB had advanced funds but had never been repaid.

24 Year Sentence Given to Leader in Drug Organization

On June 10, 2004, in Hot Springs, AR, Tracy Smith, a California resident with ties to Malvern, Arkansas, was sentenced to serve 292 months in prison followed by 60 months of supervised release. On January 28, 2004, a jury returned a guilty verdict against Smith after a two day trial, convicting him on violations of drug trafficking and money laundering. Smith was originally indicted on June 24, 2003, along with Troy Mendenhall, James Mendenhall, and Keishawn Reed. The Mendenhalls and Reed have previously entered guilty pleas relating to the indictment. Troy Mendenhall was sentenced on March 11, 2004, to serve 60 months in prison followed by 48 months of supervised release. James Mendenhall was sentenced on April 19, 2004, to serve 60 months in prison and 60 months supervised release. Reed is awaiting sentencing. During Smith’s trial, evidence was presented that showed Tracy Smith supplied crack cocaine out of California to the Mendenhalls in Arkansas. The Mendenhalls provided Smith with payment for the drugs using various means including wiring money through Western Union and personally transporting the money through various couriers.

First Defendant Gets Life Sentence in Drug, Money Laundering and Firearms Case

On June 10, 2004, in Nashville, TN, Kenneth Kimball was sentenced to life imprisonment, followed by consecutives sentences of another life sentence plus another 15 years. The judge also issued a forfeiture judgment totaling $30 million dollars. Kimball, along with defendants Randall Parker and Steve Corlew was convicted after a three week jury trial which included evidence about Kimball and Parker hiring others to kill potential witnesses with bombs and silenced handguns. Kimball was also convicted of hiring someone to kill his co-defendant, Randall Parker, drug conspiracy and multiple money laundering counts. Kimball was the mastermind of a drug organization that ran an estimated 400 kilograms of cocaine into the Nashville area and resold it. The drug operation dated back to 1999 and included tractor-trailer runs to south Texas, where truckers picked up autos in double-decker trailers which contained drugs. Kimball owned businesses in which he used to launder the drug proceeds in order to make the monies appear to have come from a legal source. Kimball's co-defendant Randall Parker was sentenced on June 4, 2004 to three concurrent terms of life imprisonment without parole, as well as a forfeiture judgment totaling $21 million. The investigation was part of the Organized Crime Drug Enforcement Task Force.

Son, Mother, and Others Sentenced in Money Laundering and Drug Case

During the week of June 7, 2004, in Salisbury, MD, Ronald Seldon was sentenced to 30 years in prison followed by 5 years of supervised release arising from his guilty plea to charges of conspiracy to distribute cocaine and money laundering. Seldon was also ordered to forfeit any interest in various homes, business, cars, cash, bank accounts and insurance policies. Ronald Seldon used his mother, Yvonne Seldon, his girlfriend, Edwina Harmon, and her mother, Sylvia Harmon, to launder the proceeds of his drug business. The total amount of laundered funds was in excess of $1 million. Yvonne Seldon was sentenced to 24 months in prison followed by 2 years supervised release; Edwina Harmon was sentenced to 18 months in prison followed by 2 years supervised release; Sylvia Harmon was sentenced to 24 months probation with 4 months in home confinement under electronic monitoring and 200 hours of community service. The judge also ordered the three women to forfeit any interest in various automobiles, bank accounts, residences, jewelry and cash used in furtherance of their drug and money laundering activities and purchases made with drug proceeds. The investigation was part of the Organized Crime Drug Enforcement Task Force.

Maryland Owners of Computech, Inc. Sentenced for Tax Evasion and Possession of Stolen Property

On May 27, 2004, in Greenbelt, MD, Leon Chen was sentenced to 15 months in prison followed by three years of supervised release and a fine of $2,000 for tax evasion. His wife, Ka Lai Man was sentenced to 60 days in prison and four months home detention followed by three years supervised release and a $2,000 fine for receipt and possession of stolen property. Chen also agreed to pay restitution to the IRS in the amount of $335,982.91. Chen stated on his 1997 tax return that his taxable income was $61,845 and the amount due was $11,955, whereas Chen knew he had substantial additional taxable income which he did not report. Chen understated his income between 1994 and 1997 for a tax loss of $335,982.91. Also, in September 2003, his wife admitted that she was in possession of computers and related equipment, valued at $23,377, were then sold to other Computech customers and the sales proceeds were deposited into bank accounts controlled by the Chens.

Ponzi Scheme Lands Three in Prison

On May 26, 2004, in Richmond, VA, Lamont C. Knight, Thomas W. Hoffler, and Richard A. Hertz, Sr. were sentenced to 11, 9, and 8 years respectively after being convicted on February 18, 2004 for multiple counts of mail fraud, wire fraud, and money laundering. The investigation involved a multi-million dollar Ponzi scheme, perpetrated by the defendants in churches in Virginia, North Carolina, Missouri, Illinois, New Jersey, Texas, and Georgia. The defendants promoted an investment program which guaranteed a high rate of return of between 3-5% per month. Investors were defrauded of $5.1 million dollars and a restitution order has been issued

Bristol County Man Sentenced for Racketeering, Illegal Gambling and Drug Trafficking

On May 24, 2004, in Boston, MA, Timothy J. Mello was sentenced to 12 years in prison, to be followed by 3 years of supervised release. Mello was also fined $17,500 and ordered to pay restitution to an insurance company he defrauded in the amount of $29,113. Pursuant to his guilty plea, Mello will also forfeit a total of $500,000 to the government. On November 17, 2003, Mello pleaded guilty to a Superseding Information charging him with racketeering in violation of the RICO statute which included twelve predicate acts involving extortion, cocaine and marijuana distribution, money laundering, witness tampering, illegal gambling, obstruction of justice and mail fraud. Mello participated in, and supervised, an extensive criminal enterprise during the 1990's and engaged in a variety of crimes such as extortion, cocaine and marijuana distribution, money laundering, witness tampering, illegal gambling, obstruction of justice and mail fraud.

Defendant to Serve 17 Years in Prison for Smuggling Freon and Evading Taxes Defendant Concealed Profits in Offshore Bank Accounts

On May 21, 2004, in Ft. Lauderdale, FL, Marc M. Harris was sentenced to 204 months in prison, followed by 3 years supervised release, and a $20,324,560 fine. Harris was also ordered to pay restitution to the Internal Revenue Service in the amount of $6,588,949.50. Harris was convicted of conspiring to defraud the Internal Revenue Service, conspiracy to commit money laundering and evading excise taxes. Evidence introduced at trial established that Harris conspired with Aurelio Vigna, Joseph Vigna and others to evade federal excise taxes on the sale of Freon to customers in South Florida. They failed to report and remit those taxes to the Internal Revenue Service and filed phony paperwork to conceal domestic sales of illegally imported Freon. To hide the sales proceeds, Harris also created and used domestic and foreign shell corporations and related bank accounts. He laundered more than $8 million in proceeds generated from the Freon smuggling scheme for Aurelio and Joseph Vigna by use of a series of wire transfers through Panamanian corporations and bank accounts. As a result of the scheme, between January 1993 and June 1994, Harris evaded approximately $6.2 million in excise taxes and also helped his co-conspirators allegedly evade additional individual and corporate income taxes on the profits.

Man Sentenced for Role in Employment Agency Fraud Scheme

On May 17, 2004, Worcester, MA, Tan Ngo was sentenced to two years and one month in prison, followed by three years of supervised release, for his role in a temporary employment agency mail fraud, and money laundering scheme. Ngo was also ordered to pay restitution in the amount of $38,265 to the two insurance companies that were defrauded in the scheme and imposed a forfeiture money judgment in the amount of $767,870. Ngo pleaded guilty to thirteen charges including mail fraud, mail fraud conspiracy, money laundering conspiracy, filing false tax return, and aiding in the filing of a false return. Ngo admitted he and his co-conspirators opened two bank accounts in the names of Tri-Mark Temps Service and Tri-Mark Temporary Service, into which they deposited a total of $767,870 in client company checks, constituting proceeds of the fraud, during the years 1996 and 1997. Ngo and his co-conspirators used some of that money to pay Tri-Mark's temporary workers in cash, without withholding or deducting for such things as federal and state income taxes, unemployment taxes, and Social Security. In connection with these schemes, Ngo also admitted that he had filed a federal income tax return falsely under-reporting his own 1996 income, and that he had aided and abetted the filing of a false 1996 federal income tax return for the individual whom Ngo and a co-conspirator had put forward as the straw owner of Tri-Mark.

San Diego Man Pleads Guilty in Investment Fraud Case

On May 13, 2004, in San Diego, Paul Scheibe pled guilty to conspiracy to defraud the United States in connection with his role in an investment fraud scheme. Scheibe conspired with others and raised over $2.5 million through the sale of unregistered securities related to the development of new technologies. Scheibe failed to tell investors that he was permanently barred from selling unregistered securities by the SEC. Scheibe falsely informed investors they would receive 10 times their principal shortly after they made their investment. In actuality, the investors did not receive any funds. The money raised by Scheibe and paid to himself and other conspirators resulted in a $325,000 tax loss to the government. Six other defendants in this investigation have been indicted and are awaiting trial.

Man Gets Prison Term for Money Laundering, Fraud

On May 10, 2004, in San Diego, CA, Stephen Bryan Gossman was sentenced to 46 months in prison, followed by three years supervised release, ordered to pay $116,282 in restitution to Medi-Cal and fined $315,000. Grossman was convicted on seven counts of healthcare fraud and ten counts of money laundering. Grossman defrauded Medi-Cal by falsifying applications and unlawfully concealing over $330,000 of his grandmother’s assets. Through these fraudulent applications, Grossman maximized his inheritance by convincing Medi-Cal to pay for his grandmother’s long-term care for over four years. Grossman laundered the unlawfully concealed assets through 80 structured deposits into multiple bank accounts over several years.

Healthcare Fraud Conspirator Sentenced

On April 28, 2004, in Memphis, TN, Steve Threet was sentenced to 21 months in prison, followed by three years supervised release. Threet provided substantial assistance in the investigation of Diane Nadolni as well as numerous other healthcare and drug related investigations. Threet previously pled guilty to one count of Health Care Fraud and one count of Money Laundering. Beginning in January 1997 and continuing through at least March 1998, Threet, President of Southeast Clinical Management Services was involved in a health care fraud scheme whereby fraudulent claims were submitted to Medicare and Medicaid totaling in excess of $4,972,251.09 for psychological services. Threet's business, Southeast Clinical Management Services, was designed to operate and manage the practice of licensed clinical psychologists. Threet instructed individuals to submit claims that reflected services performed by Dr. Jack E. Schaff, knowing full well that the claims were not performed or supervised by Dr. Schaff, and knowing full well that some of the claims were for services not rendered by licensed health care providers.

Insurance Agent Role in Fraud Scheme Nets 55 Months in Prison

On April 27, 2004, in Jackson, TN, Raymond C. Marcum, President of Marcum Insurance Agency, Inc., was sentenced to 55 months in prison, followed by 3 years of supervised release. Marcum was also ordered to pay restitution of $731,825.74 to various government and public service entities, all former clients of his insurance agency. According to the indictment, between 1985 and around August 17, 2000, Marcum conspired with an employee of his agency, Shirley Ann Huckaby, to fraudulently obtain monies from the City of Lexington, Tennessee, Lexington Electric System, Henderson County, Tennessee, Henderson county Rescue Squad and the Town of Sardis, Tennessee, to which he was not entitled. Marcum admitted during his plea hearing that he falsely and fraudulently altered and prepared insurance documents, inflated invoice amounts, kept dividend credits, and double-billed the Henderson County Rescue Squad.

Wilmington Man Sentenced for Conspiracy to Launder Drug Money

On April 26, 2004, in Wilmington, NC, Leo Hinson was sentenced to 225 months in prison, followed by three years supervised release and fined $8,400 for conspiring to launder drug money. Hinson invested more than $2 million of his drug profits in land and equipment in North Carolina, South Carolina, and Virginia. All of the property purchased by Hinson, except for a residence in South Carolina and some farm equipment, has been ordered to be forfeited to the United States.   This OCDEFT case was code-named “Harvest Moon”.

Man Who Failed to Pay Employment Taxes on Over $3.1 Million in Cash Wages Sentenced to Prison

On April 26, 2004, in Los Angeles, CA, Vernon Morris Marshall, who owned and operated a drywall business called Vern Marshall Drywall, Inc., was sentenced to 27 months in prison and ordered to pay

Krug, his bookkeeper/office manger paid cash wages to employees to avoid paying approximately $470,000 in employment taxes to the IRS. Marshall also admitted that he and his bookkeeper used financial structuring to avoid detection of the underreported cash wages paid to the employees. Krug pleaded guilty in October to conspiracy and admitted that at the direction of Marshall, she kept two sets of books, one reflected the true income and expenses of the company, and a second set reflecting only the income and expenses that were reported to the IRS. Krug was sentenced to home detention for her role in the scheme.

Geoffrey Clement Sentenced in $5 Million International Fraud and Money Laundering Scheme

On April 23, 2004, in Denver, CO, Geoffrey Chris Clement was sentenced to 156 months in prison for fraud and money laundering. Clement was also ordered to pay restitution to the victims totaling $3.9 million. Clement falsely represented to prospective investors in Australia the he had the ability to make high yield, low risk investments through a company controlled by Clement which was organized under the laws of the Isle of Man, Channel Islands, United Kingdom. Clement told investors they could expect a return of four to eight percent per month on their investment. The victims lost an estimated $5 million as a result of the scheme.

Drug Distributor Sentenced

On April 19, 2004, in Hot Springs, AR, James Mendenhall was sentenced to 60 months in prison followed by 60 months supervised release. The sentence was a result of Mendenhall's guilty plea to possession of crack cocaine with intent to distribute. On June 24, 2003 James Mendenhall, Keishawn Reed, Troy Mendenhall and Tracy Smith were indicted for their role in a conspiracy to distribute a controlled substance, cocaine and "crack cocaine", conspiracy to launder drug proceeds and related counts. On March 11, 2004, Troy Mendenhall was sentenced to 60 months in prison followed by 48 months of supervised release with a fine of $2,500. Keishawn Reed has also pleaded guilty to conspiracy charges and is awaiting sentencing. Tracy Smith was found guilty in a criminal jury trial for conspiracy to distribute cocaine and conspiracy to commit money laundering. The guilty verdict, as well as the guilty pleas, was the result of a joint OCDETF investigation.

Ponzi Scheme Lands Two in Prison

On April 14, 2004, in Corpus Christi, TX, Rufino Serna Munoz and Jose Luis Balderas were sentenced to federal prison terms today for conspiring to commit mail and wire fraud and money laundering arising from a fraudulent "Ponzi" investment scheme, which bilked "investors" out of approximately $2.3 million dollars. Rufino Serna Munoz was sentenced to 90 months and Jose Luis Balderas received 87 months in federal prison, without parole, for their offenses. In addition to the prison terms, the court ordered the men to jointly pay restitution in the total amount of almost $1.7 million to more than 50 "investor" victims. Munoz and Balderas told investors they could earn monthly returns of 3% to10% in interest on their investments. Munoz and Balderas operated their "Ponzi" scheme never investing the investors' money. Instead, Munoz and Balderas merely swirled the money through each other's bank accounts, made a few payments to investors with their own or another investor's money to foster trust and to encourage additional investment, but ultimately, the majority of the investors' funds were spent by Munoz and Balderas on themselves.

Real Estate Company Owner is Sentenced to 27 Months Imprisonment for Money Structuring

On April 13, 2004, in Providence, RI, William Ricci was sentenced to 27 months in prison fined $20,000 and ordered to perform 1,000 hours of community service for a money-structuring scheme. Ricci admitted that he generated the appearance of business cash flow by cashing checks at a check-cashing company and depositing cash and money orders generated by those checks into various business accounts. In February 1998, Ricci embarked on a scheme to obtain financing for his various real estate companies by submitting fraudulent documentation that artificially inflated the value of the companies. Ricci generated the false appearance of cash flow in those companies by cashing a series of checks all for amounts of less than $10,000, and depositing the cash and money orders obtained with those checks payable to existent and non-existent third parties who were made to appear as if they were subcontractors. Ricci admitted that, between February 1999 and December 1999, he structured approximately $1,307,498 with 400 checks, all for amounts less than the $10,000 reporting level.

57 Months in Prison for $3 Million Investment Fraud

On March 26, 2004, in Oakland, CA, Nimfa Montes Beredo was sentenced to serve 57 months in federal prison after she pleaded guilty to wire fraud, credit card fraud, and money laundering in connection with a bogus investment scam she operated in the Bay Area. The court also ordered Beredo to pay $2,512,157.60 million in restitution to her victims. From January 1997 through February 2003, Beredo induced approximately 23 individuals, the majority of whom resided in the Bay Area, to "invest" more than $3.1 million in her purported business ventures. To persuade these individuals to provide money to her, Beredo falsely claimed that she had entered into contracts with airlines that allowed her to purchase airline tickets in bulk at a discounted rate, that she would use the investors' money to purchase airline tickets in bulk at a discounted rate, that she would resell those tickets at a significant profit, and that she would share those profits with investors. Beredo falsely guaranteed various investors that they would earn returns of 5% per day, per week, or per month. Beredo then used the proceeds from the investments she received for her own benefit and to pay off earlier investors in her scheme.

Mona Kim Sentenced to 80 Months in Federal Prison

On March 24, 2004, in New Haven, CT, Mona Kim, an associate of Martin Frankel, was sentenced to 80 months in prison, followed by three years of supervised release, for her role in a $200 million fraud against several insurance companies. On January 30, 2003, Kim was convicted by a jury on seven counts, including participating in a racketeering enterprise, racketeering conspiracy, money laundering and wire fraud. Kim was also ordered to pay restitution in the amount of $50,075,000, at a rate of $200 per month. Kim and Frankel fled from Greenwich, Connecticut, to Italy in 1999 following the collapse of Frankel's massive fraud scheme. During the January 2003 trial, several dozen witnesses and hundreds of exhibits chronicled the Frankel fraud enterprise and Kim’s role as an office manager and in assisting Frankel flee the country to escape insurance regulators and law enforcement. Martin Frankel has been detained since his arrest and awaits sentencing.

Bulger Group Top Deputy Sentenced

On March 22, 2004, in Boston, MA, Kevin J. Weeks was sentenced to 6 years in prison, to be followed by 5 years of supervised release. Weeks pleaded guilty to a Superseding Information on July 20, 2000, charging him with Racketeering Conspiracy, Racketeering, Extortion Conspiracy, Extortion, and Money Laundering Conspiracy. Had the case proceeded to trial, the evidence would have proven that, from about 1972 and continuing until 1999, Weeks and others, including leaders James J. "Whitey" Bulger and Stephen J. Flemmi, were members and associates of a criminal organization, referred to by law enforcement as the Bulger Group, that earned money through extortion, loan sharking, bookmaking, trafficking in narcotics and committing crimes of violence such as murder and assault. Weeks functioned as a principal deputy of Bulger and Flemmi and as a primary representative of the Bulger Group at times during which Bulger and Flemmi were incarcerated or fleeing from justice. Also as part of his plea agreement with the Government, Weeks agreed to the forfeiture of his ownership interests in the South Boston Liquor Mart, Inc., doing business as Columbia Wine and Spirits; two pieces of real estate; and the Rotary Variety Store Company, Inc.

Former Gillette Executive Sentenced to 37 Months in Prison for Taking Kickbacks from Gillette Vendors

On March 16, 2004, in Boston, MA, Gino Deluca, the former Director of the Permanent Merchandising Systems Department at Gillette was sentenced today in federal court to 37 months in prison, followed by two years supervised release following his guilty plea to eleven counts of mail fraud and wire fraud, along with two counts of subscribing to false tax returns. Deluca was also ordered to pay $724,829 in restitution to Gillette. From 1996 to August of 2002, Deluca was responsible for the promotion and display of various retail establishments. Between 1998 and 2002, Deluca received close to $600,000 in kickbacks from vendors to whom Deluca steered lucrative Gillette business. Two tax charges to which Deluca pleaded guilty stated that he failed to report over $325,000 in illicit income that he received in 1999 and 2001.

Provo Man Sentenced for Tax Evasion and Mail Fraud

On February 26, 2004, in Salt Lake City, UT, Albert Earl Carter was sentenced to 51 months in prison, followed by three years supervised release and ordered to pay $1,962,371 in restitution. Carter was also ordered to file his 1996 and 1997 tax returns and establish a payment schedule for those liabilities within 30 days. Carter plead guilty to tax evasion and mail fraud for his role in a scheme he devised to defraud investors of their money through an investment program often referred to as a “doubling program” and his efforts to evade paying income tax for the 1996 tax year. Carter not only failed to file his tax return, but also committed acts of evasion, including the use of a VISA card account from an offshore bank to pay personal expenses, by the transfer of money to the VISA card account, and by the transfer of records reflecting income and expenses offshore. Between 1995 and 2000, Carter was “managing director” of Allied International Resources, (AIR) and represented that the company had offices in Utah and Antigua. During this time, Carter and his associates solicited approximately $3,000,000 from investors for the “doubling program.” Carter represented that the investment was for a 12-month term, was protected by a guarantee against loss for 108 percent of the investment, and the guarantee was backed by a trust fund of over five times the amount AIR was obligated to pay out. The letter represented, that an investor could expect 200 percent of the investment at the annual anniversary date. Carter admitted he did not inform investors that investor funds brought in through the investor program would be used to pay off other investors –- essentially a Ponzi scheme -– and also used to pay the personal expenses of Carter and operating expenses of AIR.

Northampton Investment Advisor Sentenced for Defrauding Clients of Over $1.2 Million

On February 25, 2004, in Springfield, MA, Robert C. Sears was sentenced to three years and one month in prison, to be followed by three years supervised release and was ordered to pay $267,471 in restitution. Sears plead guilty to wire fraud and willful failure to file tax returns. Sears, an unregistered investment advisor, misappropriated funds from several client’s brokerage accounts. Sears accomplished his misappropriation by forging clients’ signatures on Letters of Authorization directing Charles Schwab Co. to transfer clients funds to his own corporation and forging client signatures on margin agreements to obtain unauthorized margin loans. Sears received substantial income from investments and self-employment during the tax years 1998 and 1999 but never filed income tax returns for those years. Sears failed to file an income tax return for the 2000 year as well.

Former Northridge Water Board General Manager Pleads Guilty to Tax Fraud Scheme

On February 20, 2004, in Sacramento, CA, Dewight Frances Kramer pleaded guilty to conspiring to defraud the United States. Kramer admitted that while he was the General Manager for Northridge Water District (NWD) he conspired with co-defendant Jerry Ness to conceal from the IRS hundreds of thousands of dollars in taxable income earned by themselves and other NWD employees. Kramer admitted that he and Ness caused the compensation for unused sick leave and vacation pay for the NWD employees to be issued through accounts payable rather than payroll, resulting in no Form 1099’s or other notifications being issued to the IRS. Kramer also issued himself bonuses, salary advances and a car allowance, all of which were also run through NWD’s accounts payable, rather than payroll, resulting in no withholding of federal taxes. In total, Kramer admitted that during the period of January 1999 through December 2002, approximately $516,332 in compensation issued to Kramer, Ness, and other NWD employees was run through the NWD accounts payable system in order to conceal it from the IRS.

Victor Nance Sentenced in Ponzi Scheme

On February 20, 2004, in Jackson, MS, Victor G. Nance was sentenced to 10 years in prison, fined $10,000, and ordered to pay over $9.1 million in restitution for his part in a large scale Ponzi scheme.

mail fraud or wire fraud. He also pled guilty, along with co-defendant Hamric, to the forfeiture count designed to recover the $10.2 million that investors lost in the fraud scheme engineered by Hamric and Nance. Nance had been a financial advisor for years and convinced many of his clients that they should invest in a "Promissory Note" with Louis Hamric which would pay them between 18% and 30% per year. Nance convinced over 40 clients to invest over $10 million in this scheme. In return Hamric paid Nance approximately $4.8 million in commissions for his services. Although the victims were told that they were investing in a money trading program, no such programs exist and the interest they received was, in fact, a repayment from their own funds.

Ocean City Hotel Owner Sentenced for Tax Evasion

On February 19, 2004, in Baltimore, MD, Adel Iskander, a.k.a. Ed Iskander was sentenced to 41 months in prison followed by three years supervised release and ordered to pay a fine of $800,000. Iskander was convicted in August 2003 of three counts of tax evasion and one count of structuring a financial transaction to avoid a federal currency transaction reporting requirement. According to trial evidence, Iskander reported no taxable income and paid no federal income tax during the years 1994, 1995, and 1996, although the two hotels he owned and operated were profitable and Iskander was earning a substantial taxable income from their operations. Iskander, an accountant by training, engaged in a complicated tax evasion scheme which involved diverting hundreds of thousands of dollars from the hotels into personal investment accounts held in the name of his wife. Iskander created a phony shareholder loan account to make it appear that the corporations that owned the hotels owed him money and then took false "bad debt" deductions on his tax returns to offset the income earned from his and his wife's personal investment accounts.

Northern California Man Sentenced in Securities Fraud Case

On February 17, 2004, in San Francisco, CA, Sherman S. Smith was sentenced to 37 months imprisonment and ordered to pay approximately $4.7 million in restitution to those he defrauded. In his plea agreement, Smith admitted that he defrauded a Florida woman by causing her to give him money for investments in stock and securities he promised to make that he said would earn 12 percent interest. Smith later sent false account statements and stock certificates to his victim to make it appear that he had invested her money in a church consulting business he controlled by the name of Donne Corporation.

Former Hotel Developer Sentenced

On February 2, 2004, in Nashville, TN, Charles V. Covington, former owner and president of OCVOC Investment Holdings, Inc., was sentenced to 30 months in prison followed by 3 years of supervised release. Covington was also ordered to pay restitution to Investment Holdings, Inc., in the amount of $600,000 and to pay IRS back taxes in the amount of $140,278 as a condition of his supervised release. Covington pled guilty on September 5, 2003, to failing to file a federal income tax return for the year 1997 and to mail fraud. Covington was indicted on July 10, 2002, and charged with committing mail fraud, money laundering and failing to file his 1997 U.S. Individual income tax return while receiving in excess of $366,000 in gross income. Covington, while attempting to develop a downtown hotel in Nashville, Tennessee, used that speculative venture to defraud persons who believed that they were investing their funds in the hotel project. Covington used these funds for his personal living expenses, including but not limited to, a down payment on a luxury residence, expensive furnishings for the residence, private jet service for his family, catered birthday dinners for his wife, expensive jewelry and tuition at a private school for his step-daughter.

Corporate Officers Sentenced in Connection With Scheme to Defraud Investors

On January 28, 2004, in Savannah, GA, Randall Coyle, Ronald Coyle and Avery Curtis Griffin, Jr., were sentenced after having entered earlier guilty pleas related to their solicitations of over $10 million from investors. The defendants offered promissory notes to investors and promised investors that they would receive from 15 – 100% return on investments over short periods of time when, in fact, none of their businesses were profitable and they used the funds to make payments back to investors and for their own

168 months in prison, 3 years of supervised release and ordered to pay restitution of $6,187,000. Ronald Coyle, the brother of Randall Coyle, was sentenced to 60 months in prison, 3 years of supervised release and ordered to pay restitution of $6,187,000 following his plea to money laundering and fraud charges. Avery Curtis Griffin, a recruiter for the Coyle organization, was also sentenced to 60 months in prison, 3 years of supervised release and ordered to pay restitution of $6,187,000 following his guilty plea to mail fraud. Sonja Coyle, the wife of Randall Coyle, was previously sentenced to 36 months probation and ordered to pay $6,187,000 in restitution following her guilty plea to Title 26 charges and her cooperation with the government

Minnesota Man Sentenced in Credit Card Scam

On January 28, 2004, in St. Paul, MN, Victor Stanley Wilcox was sentenced to 100 months in prison and ordered to forfeit $1.9 million to the United States after pleading guilty to conspiracy to launder money. Wilcox was the man at the center of a credit card scam that defrauded more than 50,000 people nationwide of over $2.7 million dollars. Co-defendants Belinda Sweeney Granlund and Troy Kisling have already been sentenced. Granlund plead guilty to conspiracy to commit mail fraud and was sentenced to four months home confinement followed by one month of community confinement and ordered to pay $20,000 in restitution and pay a $7,500 fine. Kisling plead guilty to mail fraud and was sentenced to 30 months in prison.

Medical Schemer Sentenced

On January 26, 2004, in Greenville, TN, Craig Robert Lodge was sentenced to 34 months in prison pursuant to his April 28, 2003 guilty plea to a seven-count Information that charged Lodge with health care fraud, wire fraud, credit card fraud, identity theft, money laundering, and obtaining drugs by fraud. Lodge submitted more than $2 million in false Medicare claims and received more than $1 million in payments. His wife, Mailee Lodge, was convicted after a trial on the same charges. She is scheduled to be sentenced on March 8, 2004

Former CEO and President of Link Express Delivery Solutions Sentenced to Twenty Years' Imprisonment

On January 22, 2004, in West Palm Beach, FL, Paul Johnson was sentenced to 20 years' in prison and three years' supervised release for his conviction on twenty-eight counts of conspiracy to commit securities fraud, securities fraud, perjury, money laundering, and conspiracy to commit money laundering. Johnson is the former CEO and president of Link Express Delivery Solutions (LEDS), Link Worldwide Solutions, and Pony Express Logistics. According to the indictment, in several private placement securities offerings, LEDS sold approximately $15.5 million of LEDS -owned LEDS securities and approximately $3.4 million of Johnson-owned LEDS securities, for a total of approximately $18.9 million. The Indictment alleged that Johnson raised monies for the growth and administration of a package delivery business. These monies were obtained under false pretenses, as he made material mis-representations as well as omissions to investors. A significant portion of the investors' monies was used it for his personal use, and for his friends and family.

Former Bank Officer Sentenced

On January 21, 2004, in Nashville, TN, Jimmy Lee Birdwell was sentenced to serve 46 months in federal prison followed by 3 years of supervised release. Birdwell was also ordered to pay $950,000 in restitution to the Citizens Bank of Gainesboro in Gainesboro, TN. Birdwell was a vice-president and loan officer of Citizens Bank of Gainesboro. On October 11, 2001, Birdwell, Joyce C. "Joy" Hall, Fred Rowland and Lisa Hartman were each charged in a 45 count superseding indictment. The alleged charges included bank fraud, money laundering (including promotion, concealment, engaging in monetary transactions in excess of $10,000 and money laundering conspiracy), aiding and abetting and conspiracy. Also, a $1.5 million criminal forfeiture count was charged in the superseding indictment. Birdwell and Rowland pled guilty to bank fraud and money laundering on January 24, 2003 and January 10, 2003, respectively. Hall, following a two-week trial in July 2003, was convicted by a jury for the Middle District of Tennessee on 22 counts. Rowland testified on behalf of the government during the trial. He is to report to prison on February 2, 2004. Hall is currently incarcerated in a federal facility in Kentucky

Woman Pleads Guilty to Tax Charge

On January 7, 2004, Anita M. Gant, of Memphis, TN, pleaded guilty to one count of income tax evasion. Gant, along with her husband, Ricardo A. Gant, and Keith N. Smith, were charged in October 2003 with operating a nationwide scheme that defrauded private investors and churches of approximately $3.5 million. The indictment states that the Gants operated a scheme from 1997 through 2001 from their business, Capital Plus Worldwide Financial Services, Inc. The indictment also alleged that Ricardo Gant solicited individuals and churches to invest in "Joint Venture Partnerships" that guaranteed the safety and security of the investment, and promised gains of 60% to 200% annually. During her plea agreement, Anita Gant admitted to failing to report in excess of $500,000 in income on her 1998 federal income tax return.

30 Years for Los Angeles Brother and Sister Team

On December 18, 2003, in Los Angeles, CA, Cenobio Humberto Herrera, Sr. and his sister Nelly Herrera were sentenced to 30-year prison terms. In May 2002 the pair were charged in a 37-count indictment with conspiracy to aid and abet the manufacturing of methamphetamine, possession of pseudoephedrine, a chemical used in the production of methamphetamine, and money laundering.

Ex-Union Leader's Daughter Sentenced

On December 9, 2003, in Honolulu, Hawaii, Robin Haunani Rodrigues Sabatini, an accountant, was sentenced to 46 months in prison for mail fraud, conspiracy to engage in money laundering and money laundering. Sabatini's father and co-defendant, Gary Wayne Rodrigues, the former State Director of the United Public Worker's (UPW) Union, was previously sentenced to 64 months in prison. According to evidence at trial, Sabatini together with her father defraud UPW of $377,503 which was the amount in consulting fees paid by UPW's dental and medical service providers to Sabatini's companies. The fees were paid, but no services were provided. Sabatini accepted and deposited the checks into her accounts and benefited from the criminal activity. In addition to prison, Sabatini was order to pay $377,503 in restitution to the UPW and pay a special assessment of $9,500.

Man Sentenced to 42 Months for Growing Marijuana in Homes

On December 8, 2003, in Las Vegas, Nevada, Garry Lynn King was sentenced to 42 months in prison for his guilty pleas to manufacturing a controlled substance, money laundering, and criminal forfeiture. King also forfeited $250,000 in U.S. currency which he admitted was proceeds from his illegal marijuana manufacturing operations. According to court documents King established two hydroponic marijuana growing operations, one operation was in a rented residence in a nominee name and the other was occupied by the mother of an acquaintance of King. From November 4, 1998, through December 8, 1999, King used another nominee to lease a 1995 Chevrolet Corvette. Several other defendants have pleaded guilty and been sentenced in this investigation. Their sentence terms range from 12 to 46 months.

Two More Defendants in $74 Million Investment Fraud Scheme Involving More Than 3,200 Victims Sentenced

On December 10, 2003, in Seattle, WA, William H. Cravens and Elizabeth Anne Phillips were sentenced to prison terms of 48 and 24 months respectively, along with 3 years of supervised release. The sentences were for their role in a fraudulent investment program that defrauded more than 3,200 victims in the United States and Canada of approximately $74 million dollars. Other participants previously sentenced include John. W. Zider, the leader of the fraudulent program, sentenced to 30 years in prison, Steven C. Moreland sentenced to 292 months in prison and John W. Matthews, sentenced to 48 months was assured against loss. Investors also were told that if they rolled a single unit over for ten years it would be worth millions of dollars. In fact, the defendants actually were operating a Ponzi scheme

Defendants Sentenced in Mortgage Fraud Scheme

On December 2, 2003, in Statesville, N.C., James Edward McLean, president of First Beneficial Mortgage Corporation (FBMC), was sentenced to 21 years in prison and ordered to pay in excess of $23 million to over 200 hundred victims of FBMC's fraud. McLean, his wife, Marcy McLean and other defendants were convicted in connection with a mortgage fraud scheme involving conspiracy, wire fraud, making false statements and entries, and money laundering. As a result of the fraud, the defendants obtained more than $30 million during the course of the scheme.

Other co-defendants sentenced include:

- Marcy McLean was sentenced on November 24, 2003 to 126 months in prison and ordered to pay $23 million in restitution.
- Paul Zimmerman and his wife, Debbie Zimmerman were each sentenced to 11 years each in prison and were also ordered to pay over $23 million in restitution. Zimmerman and his wife were convicted of one count of conspiracy to defraud the United States and three counts of passing counterfeit mortgages to the government.
- Richiedean Gess, an FHA approved underwriter, sentenced on October 16, 2003 to 36 months in prison, followed by three years supervised release and ordered to pay $23 million in restitution. Gess pleaded guilty to conspiring with the McLeans and other s to commit fraud.
- Willie and Alice Green, both were sentenced October 16, 2003 to 18 months in prison and ordered to pay $10 million in restitution. Both pleaded guilty to passing counterfeit mortgages to the government.

Andres Reyes Sentenced on Bank Fraud and Tax Evasion Charges in U.S. District Court

On December 1, 2003, in Charlotte, N.C., Andres Reyes was sentenced to 57 months in prison, followed by five years supervised release and ordered to pay restitution in the amount of $3.6 million after pleading guilty to charges of bank fraud, tax evasion and conspiracy. Reyes provided accounting services for a Charlotte construction company and its owner from 1998 through 2000. Utilizing his authority to write checks on the accounts of both the construction company and its owners, Reyes diverted in excess of $3.6 million if his clients' funds to bank accounts under his control.

Former Accounting Manager for City of Grand Prairie Sentenced to Eight Years

On November 12, 2003, in Dallas, TX, Fredrick Charles Miller was sentenced to eight years in prison after pleading guilty to money laundering and tax evasion charges. Miller was also ordered to forfeit $1.15 million and pay $1.45 million in restitution, which includes $300,000 to the IRS for taxes owed. Miller admitted that beginning in 1998 and continuing through 2001, he embezzled approximately $1.15 million and used his position as an officer to facilitate the embezzlement and thefts and devised various schemes to defraud and embezzle the funds. Miller also admitted that he attempted to evade his tax liability for 2000 by submitting to the IRS a false and fraudulent income tax return. Miller stated on the fraudulent tax return the $265,999 was his and his wife's income upon which a tax of $78,808 was owed, when in fact, Millers true income was $915,167 and tax owed was $335,074.

Three Sacramentans Sentenced to Lengthy Prison Sentences in Tax Fraud, Investment Fraud and Money Laundering Scheme

On November 4, 2003, in Sacramento, CA, Herbert Arthur Bates, Christopher R. Bates and David Larry Smith were sentenced to lengthy prison terms after being convicted of conspiracy to defraud the United States by impairing and impeding the IRS in the assessment and collection of income taxes, conspiracy to engage in mail and wire fraud, and conspiracy to engage in money laundering. Herbert Bates, Christopher Bates, and David Larry Smith were sentenced to 136 months, 63 months and 151 months in prison, respectively. All three were also ordered to pay restitution in the amount of $1,738,520, a criminal forfeiture of $1,000,000, and serve 36 months of supervised release. Evidence presented at trial proved that the defendants sold a form of trust, which they called an Unincorporated Business Organization (UBO), to approximately 249 investors. The defendants charged between $3,000 and $7,500 for the creation of these UBO's. Herbert Bates and Smith advised clients that they could transfer all of their income and assets to the UBO, and after transferring their income and assets, the clients no longer had to file individual income tax returns nor pay federal income taxes.

Executive Sentenced to 20 Years, Ordered to Pay $92 M in Restitution in Investment Fraud and Money Laundering Case

On October 31, 2003, in Cleveland, OH, J. Richard Jamieson was sentenced to 20 years imprisonment, ordered to serve a three-year term of supervised release, pay $92,125,491 in restitution, and pay a Special Assessment of $15,700. Jamieson was found guilty of promotion money laundering, international money laundering, concealment money laundering, spending money laundering, conspiracy to commit money laundering, and conspiracy to commit mail fraud. On January 23, 2002 J. Richard Jamieson was indicted along with 16 other individuals in connection with a scheme to defraud life insurance companies and investors throughout the United States. The Indictment charged that the defendants, including Jamieson, conspired to defraud approximately 2,850 investors in viatical settlements of approximately $105,000,000. Jamieson was also charged with laundering his profits from the fraud scheme using domestic and foreign trust entities. As a result of this trial and subsequent conviction, there is a special verdict personal judgement against Jamieson in the amount of $28,243,980 that was rendered by the jury in his trial and relates to the funds involved in the money-laundering scheme. Jamieson must also forfeit all the assets in over 50 domestic and foreign companies, corporations, partnerships, and trusts, which Jamieson owned and controlled. Additionally, Jamieson was ordered to forfeit his personal assets, including his million-dollar residence, his million-dollar vacation home, the contents of his investment accounts and other personal property. On October 28, 2003 Judge Katz amended his original order of forfeiture to include $5,675,075 in substitute assets.

Local Attorney Receives 20-Month Prison Term on tax Evasion Charges

On October 30, 2003, in Washington, D.C., Navron Ponds was sentenced to 20 months in prison, followed by three years of supervised release and ordered to file the appropriate outstanding tax returns and pay restitution for any outstanding amounts. Ponds was convicted in July of tax evasion, failure to pay taxes and failure to file returns and wire fraud. Ponds failed to file timely federal personal income tax returns for calendar years 1988 and 1990 through 1994. Ponds also took numerous steps to evade payment and evade assessment of taxes, including, for example, transferring the title of his cars, selling a rental property and causing his sister to open an annuity account in her name with the proceeds. Ponds used the funds in that annuity account for his personal use and benefit.

Real Estate Broker Gets 17 1/2 Years

On October 27, 2003 in Fairview Heights, IL, Marvis "Swamp Dog" Bownes of O'Fallon was sentenced to 171/2 years in prison. In April, Swamp Dog plead guilty to a two count information charging violations of mail fraud and money laundering. Swamp Dog admitted to defrauding numerous mortgage companies and individual home buyers in the East St. Louis metropolitan area relative to approximately 80 residential sales. Swamp Dogs' fraudulent conduct included false seller carryback loans, false gift letters, false property appraisals, backdated bond for deed contracts, false verifications of rent, false verification of employment, and false W-2 forms. Relative to the fraudulent residential sales, Swamp Dog received approximately $4,000,000 in gross proceeds.

Former Law Firm Employee is Sentenced for Wire Fraud and Under-Reporting Income in Connection with $1.6 Million Fraud Scheme

without parole. She was also ordered to pay restitution in the amount of $1,648,901. On July 31, 2003, Mullins pled guilty to an information charging one felony count of wire fraud and four felony counts of making false material statements as to her income on federal income tax returns. From May 1996 through June 2002, Mullins was employed by Bryan Cave, LLP. Part of her duties included collections of past due accounts on behalf of Bryan Cave. She was also authorized to contract with outside collection agencies to assist in collection of past due accounts. In April 1996, Mullins created a fictitious company called Consultants of St. Louis (CSL) with a post office box in the name of Consultants of St. Louis/Kelly Mullins in Bridgeton, Missouri. CSL received 20% of the past due funds that they collected. Mullins hired CSL to collect past due accounts without Bryan Cave's knowledge that CSL was her company. This practice violated Byran Cave conflict of interest policies. False and fictitious records were created by Mullins representing CSL collection of money to Bryan Cave on delinquent accounts. Mullins then presented these records to Bryan Cave which then created checks to CSL for their collection of money. During the six-year period of this scheme, Mullins improperly received approximately $1.6 million dollars. Additionally, Mullins admitted with her plea in July that she under-reported her income on her income tax returns filed for 1998 though 2001, in excess of $1,185,000. This caused a tax due of approximately $462,000, which is also due to the US Treasury.

Tennessee Woman Sentenced in "Miracle Cars" Fraud

On October 22, 2003, in Kansas City, MO, Gwendolyn Baker was sentenced to five years in prison and ordered to pay $12,527,195 in restitution. Miracle Cars was a nationwide conspiracy that defrauded thousands of victims of millions of dollars. The Miracle Car Scheme raised more than $20 million from individuals throughout the United States for the purchase of more than 7,000 automobiles and other motor vehicles.

Gainesboro Real Estate Investor Sentenced in Bank Fraud and Money Laundering Conspiracy Case

On October 21, 2003, in Nashville, TN, Joyce C. "Joy" Hall was sentenced to serve 70 months in prison followed by three years of supervised release. Hall was ordered to pay $571,496.81 in restitution. In July 2003, a jury convicted Hall on 22 counts of conspiracy, bank fraud, and money laundering. Testimony during Hall's trial established that Hall, a real estate investor, Birdwell, a former vice-president of the Citizens Bank of Gainesboro, and others conspired to buy, sell and transfer property with the intent to defraud Citizens Bank. Hall participated in the scheme by placing pieces of property in the names of people other than that of the true owner in order to conceal the true ownership of the property. Some of the people in whose names the pieces of property were placed had no knowledge their names were being used for that purpose. The proof also established Hall participated in the scheme by falsifying the qualifications of people seeking to borrow money from Citizens Bank to purchase real estate from or through Hall by fraudulently increasing their income and/or the value of their assets. The proof established Hall received money or the benefit from a number of the loans which were made based upon the false information or false names provided to the Bank.

Suburban Safecracker Sentenced to Prison

On October 17, 2003, in Sherman, TX, Todd Erling Becker, was sentenced to 51 months in prison after pleading guilty in March to 11 counts of money laundering. Becker committed a series of burglaries in which business safes and ATMs were broken open or stolen and the money taken. Becker admitted that between May 2001 and December 2001, he and several accomplices burglarized about a dozen businesses in Austin, Texas, Flower Mound, Texas and several counties in Florida, stealing more than $300,000.

Prominent Oakland County Dentist Gets Prison Sentence for Tax Fraud

On October 14, 2003, in Detroit MI, Dr. Timothy Kosinski was sentenced to 30 months in prison, followed by two years supervised release and a $60,000 fine. Kosinski must also file correct and amended returns for the years 1996 through 1998. Kosinski was convicted by jury on one count of conspiracy to defraud the United States and to structure currency transactions, five counts of filing false personal and corporate tax returns, and one count of structuring currency transactions to evade the $10,000 reporting requirements.

For more summaries, visit www.irs.gov and enter Keyword: Fraud.

Where Do You Report Suspected Tax Fraud Activity?

If you suspect tax fraud or know of an abusive return preparer, you should report this activity to your nearest Internal revenue service office. This information can be communicated by phone or in writing to your local IRS office. You can contact the IRS by phone at 1-800-829-0433.